

Request for Comments on the Procurement of )  
 Default Service Power Supply for Residential ) D.T.E. 04 -115  
 and Small Commercial and Industrial Customers )

We appreciate this opportunity to submit Reply Comments to the Department of Telecommunications and Energy (“Department” or “DTE”) regarding the procurement of default service power in Massachusetts. These Reply Comments focus on issues relating to renewable energy that were raised in the initial comments.

EnXco, Inc. is a leading developer, builder and operator of wind power projects throughout North America. I am responsible for leading EnXco's efforts in the Northeast. Locally, EnXco is developer of the Hoosac wind project in Western Massachusetts, as well as other projects under development throughout New England targeted to meet the demand created by the establishment of the Renewable Portfolio Standards in Massachusetts and elsewhere in the region.

EnXco would like to echo some of the comments filed January 10, 2005 by Initial Comments of the Union of Concerned Scientists, Massachusetts Public Interest Research Group, Massachusetts Energy Consumers Alliance, Clean Water Action, and the

Conservation Law Foundation. In particular, we support these comments as they pertain to both the rationale for including long-term contracts for renewable energy in default service procurement (at very least, for the RPS fraction of that procurement), and the perspective that such long-term commitments are likely to yield both savings (in absolute terms) and cost stability relative to today's practice of short-term procurement or reliance on the alternative compliance mechanism.

**Key points:**

- Long-term contracts from credit-worthy entities are essential to attracting capital for capital-intensive wind projects at commercially attractive rates. Investors are attracted by stable and reliable sources of revenue over terms sufficient to offer a target return on their investment. Debt investors in particular do not attribute intrinsic value to long-term REC markets, and equity investors heavily discount REC revenues in the long-run due to a wide range of uncertainties.
- In today's market environment, wind projects of any scale are simply not being built on a speculative basis;
- There are economic advantages to the ratepayers of Massachusetts associated with long-term commitments to renewable energy sources. Because of the lack of exposure to future fossil fuel prices, the need to attract capital to move forward, and the ability to amortized fixed costs over contract terms, developers of new wind generation like enXco can and will offer lower prices for longer-term commitments, provided sufficient credit.

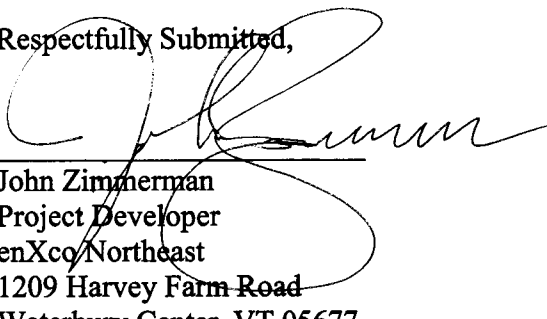
- The credit of distribution utilities is sufficient to reap attractive long-term price offers. This is not the case with the typical competitive retail load serving entity.
- Wind power is now sufficiently mature from a technology standpoint that long-term contracts do not expose the buyer to substantial technology risk.
- In general, the longer the term of such a commitment, the lower the price offered.

We urge the Department to consider these comments, and to order that at least the RPS portion of default service procurement be contracted on a long-term basis. Doing so will result in more renewables getting built, more successful implementation of Massachusetts policy, and lower and more stable costs to Massachusetts customers.

For many of the same reasons, procurement of greater than the RPS percentage from renewables might provide these added benefits. But if limited to the RPS fraction, due to the small percentage of load, such contracts are unlikely to dampen the market price signals inherent to default service.

Finally, if the Department is skeptical of the advantages mentioned here, or that the prices offered from new renewable generators for long-term contracts will differ from the risk-driven increasing prices that would be available from the non-renewable sector of the market, we urge the Department to require that default service procurements seek price quotes for both short- and long-term resources for the RPS fraction. We are confident that such market information taken out of the abstract will be compelling.

Respectfully Submitted,



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